

Unlock Your Profitability

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Quick Table Introductions

- ▶ In 30 seconds
 - ▶ Introduce yourself & your company
 - ▶ Where you're located
 - ▶ How long you have been in business
 - ▶ Number of employees you have
 - ▶ An interesting fact about you or your business you would like to share

Assessing Your Business' Potential



Market Driven & Alignment Questions



Operational Observations – Business Systems & Production

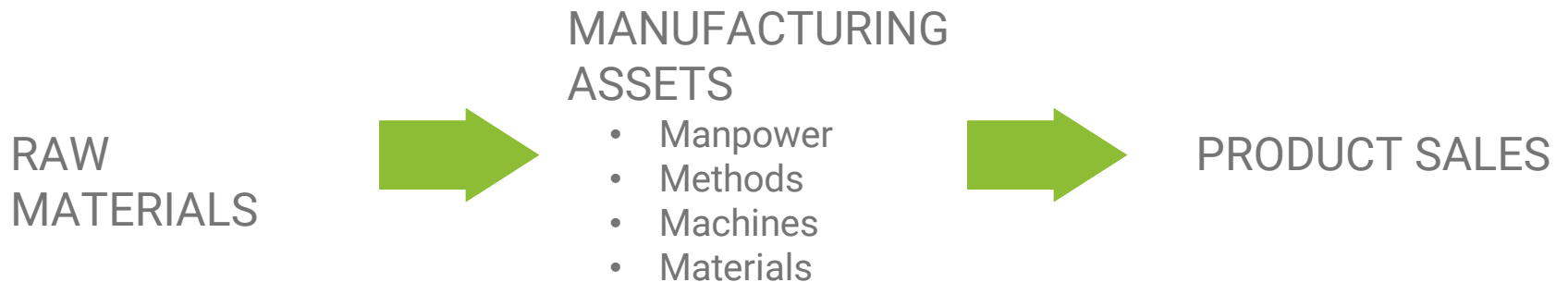


Leadership's Urgency & Organization's Openness for Change & Help



Financial Analysis – What Do Your Numbers Tell Us

Decisions on Deploying Limited Resources Determines Success



PROFITS \$\$

Decision Making



Business is about Choices and Decision Making



How do you make decisions



What resources help you make decisions



Financial Understanding and Modeling – What Your Numbers Tell Us

Fact or Fiction

- ▶ In 10 minutes
 - ▶ Discuss each statement
 - ▶ Decide as a table group whether the statement is Fact or Fiction
 - ▶ Mark answer on Table Group Fact or Fiction Worksheet
 - ▶ Designate a table representative to record answers on Flip Chart at Front of room
 - ▶ Play along, must choose ***Fact or Fiction***

Fact or Fiction – Shades of Grey

- ▶ Let's Discuss
 - ▶ Beliefs about these statements impact decision making
 - ▶ Options and Information
 - ▶ Importance of Data and Modeling

Summit Manufacturing: Owner's Quandary

- ▶ **Sales Director-** \$1.2 million opportunity that requires a \$200,000 discount, one time opportunity.
- ▶ **Marketing Director-** \$100,000 marketing campaign per year to support 10% per year growth.
- ▶ **Engineering Director-** \$80,000 automated line to reduce total labor cost by 15 percent, one time cost.
- ▶ **Production Manager-** \$100,000 on Lean Implementation, \$50,000 per year for 2 years 10 percent more productive per year.

Summit Manufacturing Profile

- ▶ Copy of Financials at Each Table; Profit and Loss
- ▶ Manufacturer that makes many different parts and assemblies.
- ▶ Materials are a mix of client supplied parts, internally produced parts, and outsourced parts.
- ▶ Departments include
 - ▶ Production
 - ▶ Assembly
 - ▶ Packaging
- ▶ Which request should the Owner approve?

Business Model Assessment

Financial Model Review

- Improvement - New Sales vs. Cost Reduction
- Translate Operational Improvements to Financial Impact
- Identify Sales & Cost Levers
- Maximize Asset Utilization (Capacity)

Company Name	Business Model Improvement Projections							
	Base Year		Y1		Y2		Y3	
	\$	%	\$	%	\$	%	\$	%
Gross Sales Revenue								
Customer Discounts & Returns								
Net Sales Revenue (net less returns & allowances)	\$		\$		\$		\$	
Cost of Goods Sold								
Raw Materials								
Manufacturing Labor Expenses (Year - No Owner's wage or share)								
Direct Labor	\$		\$		\$		\$	
Direct Labor Benefits Expenses	\$		\$		\$		\$	
Indirect Labor	\$		\$		\$		\$	
Indirect Labor Benefits Expense	\$		\$		\$		\$	
Contract Temporary Labor (40)	\$		\$		\$		\$	
Production Supplies, Consumables, Repairs, etc	\$		\$		\$		\$	
Other Manufacturing Costs	\$		\$		\$		\$	
Cost/ Goods Sold (COGS)	\$		\$		\$		\$	
Gross Profit	\$		\$		\$		\$	
Operating Expenses								
Sales Payroll & Commissions	\$		\$		\$		\$	
Sales Payroll Benefits Expense	\$		\$		\$		\$	
Payroll Other (insurance, accounting, IT, Admin, change, product development)	\$		\$		\$		\$	
Payroll Other benefits Expense	\$		\$		\$		\$	
Interest Paid, Mortgage, Business Loans	\$		\$		\$		\$	
Principle Payment, Mortgage & Business Loans	\$		\$		\$		\$	
Depreciation	\$		\$		\$		\$	
Amortization	\$		\$		\$		\$	
All remaining Operating Expenses (not allocated/above)	\$		\$		\$		\$	
Total Operating Expenses	\$		\$		\$		\$	
Earnings Before Tax (EBT)	\$		\$		\$		\$	
Inventory Value @ Year End								
Year ending inventory Value			Inventory Level based on Sales Demand		Days			
Sales Breakdown Calculation (Items are already no money from business)								
Fixed Expenses								
Fixed Operating Expenses	\$		\$		\$		\$	
Interest Expense	\$		\$		\$		\$	
Loan Principle Expense	\$		\$		\$		\$	
Total Fixed Expenses	\$		\$		\$		\$	
Sales Revenue Required to Break Even	\$		\$		\$		\$	
Sales Reduction % before reaching breakeven								
Cash Generated From Business								
Earnings Before Tax	\$		\$		\$		\$	
Depreciation (no reduction net a cash expense)	(AMT/Year)		(AMT/Year)		(AMT/Year)		(AMT/Year)	
Amortization (no reduction net a cash expense)	(AMT/Year)		(AMT/Year)		(AMT/Year)		(AMT/Year)	
Interest Expense (no loan management savings)	(AMT/Year)		(AMT/Year)		(AMT/Year)		(AMT/Year)	
Loan Principle Paid (no loan management savings)	(AMT/Year)		(AMT/Year)		(AMT/Year)		(AMT/Year)	
Mortgage/Lease Market Rate Adjustment	(AMT/Year)		(AMT/Year)		(AMT/Year)		(AMT/Year)	
Cash Generated by Business	\$		\$		\$		\$	
Product Cost & Shop Rate Impacts from Maximizing Capacity								
			Capacity Increase Snap Shot					
Work Days/Year Available			0		0		0	
Number of Normal Operating Shifts			0		0		0	
Work Hours/Shift			0		0		0	
Current Estimated Operating Capacity Level			0%		0%		0%	
Number of Units Produced Annually			0		0		0	
YOUR DMSP CONSULTANT WILL COMPLETE THE SECTION BELOW								
Business Improvement - What if? Projections from Assessment								
Sales Revenue (to change plus or minus)			0%		0%		0%	
Sales Discounts (to change plus or minus)			0%		0%		0%	
Raw Material Expense (to change plus or minus from previous year's measure ratio)			0%		0%		0%	
Direct Labor (to change Productivity plus or minus from previous year's measure ratio)			0%		0%		0%	
Indirect Labor Expense	\$		\$		\$		\$	
COGS - Indirect Labor (Annual salary changes for projected head count changes)	\$		\$		\$		\$	
COGS - Other (Annual salary changes for projected head count changes)	\$		\$		\$		\$	
COGS - Other (Annual salary changes for projected head count changes)	\$		\$		\$		\$	
Variable Expenses, non-payroll (to change plus or minus from the previous year's measure ratio)			0%		0%		0%	
Fixed Expenses, non-payroll (to change plus or minus from the previous year's expense ratio)			0%		0%		0%	

Unlock Your Profitability

Align operations and business systems to meet market demand for value

Discover where sales or operational opportunities are

Understand your impact levers to increased profitability

Maximize existing capacity

- Intuition not necessarily enough- need model
- Understanding cost structure, fixed vs. variable
- Understanding leverage and compounding

Summit Manufacturing TAKEAWAYS

QUESTIONS & ANSWERS

